


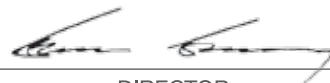
BALANCE SHEET


AS AT JUNE 30, 2017

| | Note | 2017 ----- (Rupees in '000) ----- | 2016 ----- (Rupees in '000) ----- |
|--|------|--------------------------------------|--------------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 1,019,171 | 651,261 |
| Intangible assets | 8 | 9,788 | 8,940 |
| Investment property | 9 | 1,009 | 1,018 |
| Long-term investments | 10 | 4,143,986 | 4,342,212 |
| Long-term loans | 11 | 411,425 | 60,446 |
| Long-term deposits | 12 | 13,964 | 8,119 |
| Deferred tax asset | 13 | 186,642 | 297,640 |
| | | 5,785,985 | 5,369,636 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 14 | 101,460 | 83,123 |
| Stock-in-trade | 15 | 2,913,980 | 2,764,329 |
| Trade debts | 16 | 1,041,399 | 1,003,946 |
| Loans and advances | 17 | 63,911 | 40,651 |
| Trade deposits and short-term prepayments | 18 | 78,321 | 37,348 |
| Interest accrued | | 1,683 | 2,748 |
| Other receivables | 19 | 76,738 | 3,747 |
| Short-term investments | 20 | 6,707,942 | 3,678,355 |
| Income tax - net | 21 | 72,269 | 279,216 |
| Sales tax refundable | | 61,254 | 20,367 |
| Cash and bank balances | 22 | 522,284 | 402,159 |
| | | 11,641,241 | 8,315,989 |
| TOTAL ASSETS | | 17,427,226 | 13,685,625 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital 100,000,000 (2016: 100,000,000) ordinary shares of Rs.5/- each | | 500,000 | 500,000 |
| Issued, subscribed and paid-up capital | 23 | 405,150 | 405,150 |
| Reserves | 24 | 15,027,930 | 11,822,428 |
| | | 15,433,080 | 12,227,578 |
| NON-CURRENT LIABILITIES | | | |
| Long-term deposits | 25 | 1,624 | 1,624 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 26 | 1,983,384 | 1,433,591 |
| Short-term running finance | 27 | 9,137 | 22,790 |
| Accrued markup | | 1 | 42 |
| | | 1,992,522 | 1,456,423 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 28 | | |
| TOTAL EQUITY AND LIABILITIES | | 17,427,226 | 13,685,625 |

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



CHIEF FINANCIAL OFFICER

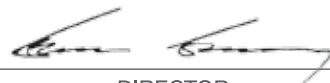
PROFIT AND LOSS ACCOUNT


FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 ----- (Rupees in '000) ----- | 2016 ----- (Rupees in '000) ----- |
|---|------|--------------------------------------|--------------------------------------|
| Revenue - net | 29 | 17,124,373 | 15,266,439 |
| Cost of sales | 30 | (13,491,348) | (11,897,093) |
| Gross profit | | 3,633,025 | 3,369,346 |
| Distribution costs | 31 | (185,653) | (249,291) |
| Administrative expenses | 32 | (741,843) | (572,773) |
| Other charges | 33 | (345,370) | (731,906) |
| | | (1,272,866) | (1,553,970) |
| Other income | 34 | 3,095,347 | 1,167,489 |
| Operating profit | | 5,455,506 | 2,982,865 |
| Finance costs | 35 | (8,511) | (3,820) |
| Profit before taxation | | 5,446,995 | 2,979,045 |
| Taxation | 36 | (1,480,711) | (800,227) |
| Profit after taxation | | 3,966,284 | 2,178,818 |
| Basic and diluted earnings per share | | | |
| | 37 | 48.95 | 26.89 |

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



CHIEF FINANCIAL OFFICER


STATEMENT OF COMPREHENSIVE INCOME


FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 | 2016 |
|---|------------------------------|-----------|
| | ----- (Rupees in '000) ----- | |
| Profit after taxation for the year | 3,966,284 | 2,178,818 |
| Other comprehensive income | | |
| Item to be reclassified to profit and loss account in subsequent periods: | | |
| Gain / (loss) on revaluation of available-for-sale investments | 49,517 | (14,097) |
| Total comprehensive income for the year | 4,015,801 | 2,164,721 |

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR



CHIEF FINANCIAL OFFICER


CASH FLOW STATEMENT


FOR THE YEAR ENDED JUNE 30, 2017

| | Note | 2017 ----- (Rupees in '000) ----- | 2016 |
|--|------|--------------------------------------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 38 | 2,837,654 | 1,657,419 |
| Finance costs paid | | (8,552) | (3,833) |
| Retirement benefits paid | | (987) | (2,356) |
| Income tax paid | | (1,162,766) | (837,197) |
| Long-term loans | | 4,021 | (14,839) |
| Long-term deposits - net | | (5,845) | (256) |
| Net cash generated from operating activities | | 1,663,525 | 758,502 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | (498,854) | (173,111) |
| Proceeds from disposal of operating fixed assets | | 3,979 | 12,610 |
| Long-term investments made during the year | | (36,362) | (514,999) |
| Proceeds from disposal of investment in an associate - MHCCP | | 2,120,000 | - |
| Short-term investments (made) / encashed during the year | | (2,145,251) | 33,259 |
| Long-term loans to subsidiaries - net | | (355,000) | (40,436) |
| Dividends received during the year | | 771,346 | 852,567 |
| Interest received during the year | | 206,427 | 188,016 |
| Net cash generated from investing activities | | 66,285 | 398,342 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | | (802,339) | (704,796) |
| Net cash used in financing activities | | (802,339) | (704,796) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 927,471 | 452,048 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 4,042,926 | 3,590,878 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 39 | 4,970,397 | 4,042,926 |

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER


STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

| | Issued, subscribed and paid- up capital | RESERVES | | | | Total equity |
|---|--|---------------------|---------------------|----------------------------|---|--------------|
| | | Capital reserves | General reserves | Unappropri- ated profit | Gain / (loss) on revaluation of available- for-sale investments | |
| Balance as at June 30, 2015 | 405,150 | 55,704 | 8,660,999 | 1,541,512 | 108,505 | 10,771,870 |
| Transfer to general reserve | - | - | 1,136,000 | (1,136,000) | - | - |
| Final dividend @ Rs. 5.00/- per share for the year ended June 30, 2015 | - | - | - | (405,150) | - | (405,150) |
| Interim dividend @ Rs. 3.75/- per share for the year ended June 30, 2016 | - | - | - | (303,863) | - | (303,863) |
| | - | - | - | (709,013) | - | (709,013) |
| Profit for the year | - | - | - | 2,178,818 | - | 2,178,818 |
| Other comprehensive income | - | - | - | - | (14,097) | (14,097) |
| Total comprehensive income for the year | - | - | - | 2,178,818 | (14,097) | 2,164,721 |
| Balance as at June 30, 2016 | 405,150 | 55,704 | 9,796,999 | 1,875,317 | 94,408 | 12,227,578 |
| Transfer to general reserve | - | - | 1,368,500 | (1,368,500) | - | - |
| Final dividend @ Rs. 6.25/- per share for the year ended June 30, 2016 | - | - | - | (506,437) | - | (506,437) |
| Interim dividend @ Rs. 3.75/- per share for the year ended June 30, 2017 | - | - | - | (303,862) | - | (303,862) |
| | - | - | - | (810,299) | - | (810,299) |
| Profit for the year | - | - | - | 3,966,284 | - | 3,966,284 |
| Other comprehensive income | - | - | - | - | 49,517 | 49,517 |
| Total comprehensive income for the year | - | - | - | 3,966,284 | 49,517 | 4,015,801 |
| Balance as at June 30, 2017 | 405,150 | 55,704 | 11,165,499 | 3,662,802 | 143,925 | 15,433,080 |

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

1. THE COMPANY AND ITS OPERATIONS

1.1 Thal Limited (the Company) was incorporated on January 31, 1966 as a public company limited by shares and is listed on the Pakistan Stock Exchange Limited.

The Company is engaged in the manufacture of jute goods, engineering goods, papersack and laminate sheets. The jute operations are located at Muzaffargarh, engineering operations at Karachi, papersack operations at Hub and Gadoon and laminate operations at Hub. The registered office of the Company is situated at 4th Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharae Faisal, Karachi.

1.2 These financial statements are separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

2. STATEMENT OF COMPLIANCE

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its circular no. 17 of 2017 dated July 20, 2017 communicated Commission's decision that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for certain investments which are measured at fair value as required under IAS – 39 “Financial Instruments: Recognition and Measurement” as disclosed in note 20 to these financial statements.

3.2 These financial statements are presented in Pak Rupees which is also the Company’s functional currency.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, management has made the following judgments, estimates and assumptions which are significant to the financial statements:

| | Notes |
|---|-------------------|
| - determining the residual values, useful lives and impairment of property, plant and equipment and investment property | 5.2, 5.4, 7 & 9 |
| - determining the residual values, useful lives and impairment of intangibles assets | 5.3 & 8 |
| - impairment of financial and non-financial assets | 5.5 |
| - provision for slow moving stores, spares and loose tools and stock-in-trade | 5.7, 5.8, 14 & 15 |
| - provision for doubtful debts and other receivables | 5.9 & 16 |
| - provision for tax and deferred tax | 5.12, 13, 21 & 36 |
| - provision for compensated absences | 5.16 |
| - provision and warranty obligation | 5.17 & 26.3 |
| - contingencies | 28 |

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New/Revised Standards, Interpretations and Amendments

The Company has adopted the following revised standard, amendments and interpretations of IFRSs which became effective for the current year:

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 – Property, Plant and Equipment

IAS 27 – Separate Financial Statements - Equity Method in Separate Financial Statements

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

The adoption of the above accounting standards and interpretations did not have any material effect on the financial statements.

In addition to the above standards and interpretations, certain improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Company expects that such improvements to the standards do not have any impact on the Company's financial statements for the period.

5.2 Property, plant and equipment

Operating assets

These are stated at cost less accumulated depreciation / amortisation and impairment loss, if any, except for freehold land and capital work-in-progress which are stated at cost.

Depreciation / amortisation is charged to the profit and loss account applying the reducing balance method except for computer equipment and jigs and fixtures which are depreciated / amortised on straight line method at the rates specified in note 7 to the financial statements. Depreciation / amortisation on additions is charged from the month of addition and in case of deletion, up to the month preceding the month of disposal.

Leasehold land is amortised in equal installments over the lease period.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work-in-progress

All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

5.3 Intangibles

These are stated at cost less accumulated amortization and impairment loss, if any.

Costs in relation to intangible assets are only capitalized when it is probable that future economic benefits attributable to that asset will flow to the Company and the same is amortized applying the straight line method at the rates stated in note 8 to these financial statements.

5.4 Investment property

Investment property is stated at cost less accumulated depreciation and impairment loss, if any. Depreciation is charged on reducing balance method at the rate specified in note 9 to the financial statements.

5.5 Impairment

Non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or related cash-generating units are written down to their recoverable amount.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment assets are recognized in the profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognized.

5.6 Investments

Subsidiaries and associates

Investment in shares of the Company's subsidiaries and associates is stated at cost. Provision is made for impairment, if any, in the carrying value of the investment.

Others

Held-to-maturity

These represent non-derivative financial assets with fixed or determinable payments and fixed maturities in respect of which the Company has the positive intent and ability to hold till maturity. These investments are recognized initially at fair value plus directly attributable costs and are subsequently measured at amortized cost using effective interest rate method. Gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

At fair value through profit or loss

Investments at fair value through profit or loss are initially recognized at fair value. Subsequently, these are measured at fair value whereas effects of changes in fair value are taken to the profit and loss account.

Available-for-sale

These are non-derivative financial assets which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates.

Quoted

These investments are initially measured at fair value plus transaction costs and subsequently carried at fair value. Changes in fair value are taken to a separate component of other comprehensive income until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss recorded in other comprehensive income is recognized in profit and loss account.

Un-Quoted

These investments are recorded at cost less accumulated impairment loss, if any.

5.7 Stores, spares and loose tools

Stores, spares and loose tools are stated at cost which is determined by the weighted moving average cost method except for those in transit which are valued at actual cost. Provision is made for slow moving and obsolete items.

5.8 Stock-in-trade

Stock-in-trade, except goods-in-transit, is stated at the lower of Net Realisable Value (NRV) and cost determined as follows:

| | | |
|---------------------------|---|---|
| Raw and packing materials | - | Purchase cost on weighted moving average basis |
| Work-in-process | - | Cost of materials, labour cost and appropriate production overheads |
| Finished goods | - | Cost of materials, labour cost and appropriate production overheads |

Goods-in-transit are valued at purchase price, freight value and other charges incurred thereon upto the balance sheet date.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for slow moving and obsolete items.

5.9 Trade debts and other receivables

Trade debts originated by the Company are recognized and carried at original invoice amount less provision for impairment. Provision for doubtful debts is based on the management's assessment of customers' outstandings and creditworthiness. Bad debts are written-off as and when identified.

Other receivables are carried at cost less provision for doubtful receivables, if any.

5.10 Ijarah rentals

Ijarah payments for assets under Ijarah (lease) agreements are recognised as an expense in the profit and loss account on a straight line basis over the Ijarah term.

5.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and short term investments with a maturity of three months or less from the date of acquisition net of short-term borrowings. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

5.12 Taxation

(a) Current

The charge for current taxation in respect of certain income streams of the Company is based on Final Tax Regime at the applicable tax rates and remaining income streams at current rate of taxation under the normal tax regime after taking into account tax credits and rebates available, if any, 1% of turnover or 17% alternate corporate tax, whichever is higher. The Company had also availed Group tax relief under the provisions of Section 59AA and 59B of the Income Tax Ordinance, 2001 as explained in note 21 to the financial statements.

(b) Deferred

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

5.13 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

5.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of assets and incurred during the period in connection with the activities necessary to prepare the asset for its intended use are capitalised as a part of the cost of related asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

5.15 Staff retirement benefits

Defined Contribution plan

Provident fund

The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Company and the employees in accordance with the rules of the scheme. The Company has no further obligation once the contributions have been paid. The contributions made by the Company are recognised as employee benefit expense when they are due.

Retirement benefit fund

The Company operates an approved funded scheme for retirement benefits for all employees on the basis of defined contribution made by the Company on attaining the retirement age with a minimum qualifying period of ten years which is managed by a Trust.

5.16 Compensated absences

Accrual is made for employees' compensated absences on the basis of accumulated leaves and the last drawn pay. No actuarial valuation of compensated absences is carried out as the management considers that the financial impact is not material.

5.17 Provisions

General

Provisions are recognised in the balance sheet where the Company has a legal or constructive obligation as a result of past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

Warranty obligations

The Company recognizes the estimated liability to repair or replace products under warranty at the balance sheet date. These are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually and adjusted, if required.

5.18 Revenue recognition

Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually on dispatch of the goods.

Other income

- Dividend income is recognised when the right to receive the dividend is established.
- Interest on Term Deposit Receipts is recognised on constant rate of return to maturity.
- Interest on bank deposits are recognised on accrual basis.
- Rental income arising from investment property is accounted for on a straight-line basis over the lease term.

5.19 Foreign currency transactions

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in profit and loss account of the current period.

5.20 Financial instruments

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period.

Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set off and the Company intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

5.21 Research and development expenditure

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense as incurred.

5.22 Dividends and appropriation to reserves

The Company recognises a liability for dividend to equity holder when it is authorized as per corporate laws in Pakistan. The transfer of reserves within the equity are recognized when these are approved as per the applicable laws.

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | Effective date (annual periods beginning on or after) |
|--|---|
| IAS 7 – Statement of Cash flows (Ammendment) | 01 January 2017 |
| IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments) | 01 January 2017 |
| IAS 40 – Investment Property: Transfers of Investment Property (Amendments) | 01 January 2018 |
| IFRS 2 – Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments) | 01 January 2018 |
| IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments) | 01 January 2018 |
| IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRIC 22 – Foreign Currency Transactions and Advance Consideration | 01 January 2018 |
| IFRIC 23 – Uncertainty over Income Tax Treatments | 01 January 2019 |

The company expects that the adoption of the above standards and amendments would not impact the company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2017. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standards | IASB Effective date (annual periods Beginning on or after) |
|--|--|
| IFRS 9 – Financial Instruments: Classification and Measurement | 01 January 2018 |
| IFRS 14 – Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 15 – Revenue from Contracts with Customers | 01 January 2018 |
| IFRS 16 – Leases | 01 January 2019 |
| IFRS 17 – Insurance Contracts | 01 January 2021 |

7. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

7.1 Operating fixed assets

| | 2017 | | 2016 | |
|---|---------------------|-----------|---------------------|--------------------------|
| | ---- | | ---- | |
| | (Rupees in '000) | | (Rupees in '000) | |
| | | | | |
| | Note | | | |
| | | | | |
| | 7.1 | 928,841 | 583,658 | |
| | 7.5 | 90,330 | 67,603 | |
| | | 1,019,171 | 651,261 | |
| | | | | WRITTEN DOWN VALUE |
| ACCUMULATED DEPRECIATION / AMORTISATION | | | | |
| | As at July 01, 2016 | | As at June 30, 2017 | |
| | Rate | | On disposals | |
| | % | | (Rupees in '000) | |
| | | | | |
| | - | - | - | 5,012 |
| | 3 | 4,681 | 492 | 16,656 |
| | 10 | 172,674 | 10,366 | 132,253 |
| | 5-10 | 28,785 | 3,370 | 30,331 |
| | 5 | 719 | 4 | 69 |
| | 10-30 | 802,645 | 60,796 | 578,192 |
| | 15-20 | 17,394 | 1,514 | 11,728 |
| | 20 | 38,918 | 6,010 | 24,144 |
| | 10-30 | 41,396 | 7,490 | 50,339 |
| | 33.33 | 56,542 | 12,686 | 21,194 |
| | 33.33 | 150,745 | 20,868 | 58,923 |
| | | 1,314,499 | 123,596 | 928,841 |
| 2017 | | 470,163 | (11,803) | |

| | 2017 | | 2016 | |
|---|---------------------|-----------|---------------------|--------------------------|
| | ---- | | ---- | |
| | (Rupees in '000) | | (Rupees in '000) | |
| | | | | |
| | Note | | | |
| | | | | |
| | 7.1 | 928,841 | 583,658 | |
| | 7.5 | 90,330 | 67,603 | |
| | | 1,019,171 | 651,261 | |
| | | | | WRITTEN DOWN VALUE |
| ACCUMULATED DEPRECIATION / AMORTISATION | | | | |
| | As at July 01, 2015 | | As at June 30, 2016 | |
| | Rate | | On disposals | |
| | % | | (Rupees in '000) | |
| | | | | |
| | - | - | - | 5,012 |
| | 3 | 4,189 | 492 | 17,148 |
| | 10 | 161,838 | 10,836 | 99,261 |
| | 5-10 | 25,041 | 3,744 | 33,701 |
| | 5 | 716 | 3 | 73 |
| | 10-30 | 751,464 | 59,188 | 299,907 |
| | 15-20 | 16,143 | 1,501 | 8,850 |
| | 20 | 37,257 | 7,359 | 30,449 |
| | 10-30 | 35,673 | 5,884 | 40,462 |
| | 33.33 | 57,858 | 9,383 | 19,357 |
| | 33.33 | 136,063 | 14,682 | 29,438 |
| | | 1,226,242 | 113,072 | 583,658 |
| 2016 | | 122,460 | (28,597) | |

7.1.1 Additions include transfers from capital work-in-progress amounting to Rs. 369.685 million (2016: Rs. 38.126 million).

7.1.2 Jigs and fixtures include moulds having written down value of Rs. 24.213 million (2016: Nil) in the possession of sub-contractors dispersed all over the country.

7.2 Operating fixed assets include fully depreciated assets amounting to Rs. 188.326 million (2016: Rs. 182.361 million).

7.3 The depreciation / amortisation charge for the year has been allocated as follows:

| | 2017 | | 2016 | |
|-------------------------|------|---------|------------------|--|
| | ---- | | ---- | |
| | Note | | (Rupees in '000) | |
| | | | | |
| | 30 | 110,682 | 101,480 | |
| | 31 | 1,360 | 1,297 | |
| | 32 | 11,554 | 10,295 | |
| | | 123,596 | 113,072 | |
| Cost of sales | | | | |
| Distribution costs | | | | |
| Administrative expenses | | | | |

The following operating fixed assets were disposed off during the year:

| Particulars | Cost | Accumulated depreciation | Written down value | Sales proceeds | Gain / (loss) on disposal | Mode of disposal | Particulars of buyers |
|---|---------------|--------------------------|--------------------|----------------|---------------------------|---------------------------------|---|
| (Rupees in '000) | | | | | | | |
| Furniture and fittings | | | | | | | |
| Items having book value upto Rs. 50,000 | 33 | 27 | 6 | - | (6) | Scrapped | Various |
| Vehicles | | | | | | | |
| Toyota Camry | 2,750 | 2,430 | 320 | 320 | - | Sold under Company's Car Scheme | Mr. Sohail P. Ahmed - Director, Karachi |
| Toyota Corolla GLI | 1,392 | 1,102 | 290 | 292 | 2 | Sold under Company's Car Scheme | Mr. S E Bukhari - Employee, Karachi |
| Suzuki Cultus | 970 | 684 | 286 | 327 | 41 | Sold under Company's Car Scheme | Mr. Amrez Khan - Employee, Karachi |
| Items having book value upto Rs. 50,000 | 920 | 626 | 294 | 2,884 | 2,590 | Various | Various |
| | 6,032 | 4,842 | 1,190 | 3,823 | 2,633 | | |
| Office and mills equipment | | | | | | | |
| Various Items | 298 | 164 | 134 | 30 | (104) | Negotiation | Mr. Baboo Ashraf, Karachi |
| Items having book value upto Rs. 50,000 | 165 | 115 | 50 | 20 | (30) | Negotiation | Various |
| | 463 | 279 | 184 | 50 | (134) | | |
| Computer equipment | | | | | | | |
| Items having book value upto Rs. 50,000 | 5,275 | 5,271 | 4 | 106 | 102 | Various | Various |
| 2017 | 11,803 | 10,419 | 1,384 | 3,979 | 2,595 | | |
| 2016 | 28,597 | 24,815 | 3,782 | 12,610 | 8,828 | | |

2017 2016
----- (Rupees in '000) -----

7.5 Capital Work-In-Progress

| | | |
|----------------------------|--------|--------|
| Plant and machinery | 67,544 | 44,121 |
| Office and mills equipment | 6,822 | 8,461 |
| Furniture and fittings | - | 80 |
| Vehicles | 7,500 | 800 |
| Computer equipment | 1,364 | 1,620 |
| Jigs and fixtures | 7,100 | 12,521 |
| | 90,330 | 67,603 |

8. INTANGIBLE ASSETS

| | COST | | | ACCUMULATED AMORTISATION | | | WRITTEN DOWN VALUE |
|-----------|---------------------|-----------|-----------|--------------------------|---------------------|--------------|---------------------|
| | As at July 01, 2016 | Additions | Disposals | As at June 30, 2017 | Charge for the year | On Disposals | |
| | (Rupees in '000) | | | (Rupees in '000) | | | |
| | | | | Rate | | | As at June 30, 2017 |
| | | | | % | | | |
| Softwares | 6,345 | 2,740 | - | 33.33 | 2,962 | 2,451 | 5,413 |
| Licenses | 7,526 | 3,224 | - | 33.33 | 1,969 | 2,665 | 4,634 |
| 2017 | 13,871 | 5,964 | - | | 4,931 | 5,116 | 10,047 |
| 2016 | 9,671 | 4,200 | - | | 1,415 | 3,516 | 4,931 |

8.1 The amortisation charge for the year has been allocated as follows:

| | | |
|----------------------------|-------|-------|
| | 2017 | 2016 |
| ---- (Rupees in '000) ---- | | |
| Cost of sales | 2,670 | 1,303 |
| Distribution costs | 23 | 23 |
| Administrative expenses | 2,423 | 2,190 |
| | 5,116 | 3,516 |

9. INVESTMENT PROPERTY

| | | COST | ACCUMULATED DEPRECIATION | | Written down value as at June 30, 2017 | Depreciation Rate % |
|------------------------------|------|---------------------|--------------------------|-------------------------------|--|---------------------|
| | Note | As at June 30, 2017 | As at July 01, 2016 | Charge for the year (Note 32) | As at June 30, 2017 | |
| ----- (Rupees in '000) ----- | | | | | | |
| Freehold land | | 891 | - | - | 891 | - |
| Building on freehold land | | 694 | 567 | 9 | 118 | 5 |
| 2017 | 9.1 | 1,585 | 567 | 9 | 1,009 | |
| 2016 | 9.1 | 1,585 | 564 | 3 | 1,018 | |

9.1 Investment property comprises of a godown held at Multan which has been let out. The fair value of the property determined on the basis of a valuation carried out by an independent professional valuer, as at June 30, 2017 amounts to Rs. 69.136 million (2016: Rs. 66 million). The valuation was arrived on the basis of market intelligence, indexation of the original cost, year of construction and present physical condition and location.

10. LONG-TERM INVESTMENTS

| | | 2017 | 2016 | 2017 | 2016 |
|---|------|-----------|------|--------------------------|-----------|
| Investments in related parties | | | | | |
| Subsidiaries, unquoted – at cost | Note | Holding % | | --- (Rupees in '000) --- | |
| Noble Computer Services (Private) Limited | | 100 | 100 | 1,086 | 1,086 |
| Pakistan Industrial Aids (Private) Limited | | 100 | 100 | 10,000 | 10,000 |
| Habib METRO Pakistan (Private) Limited (HMPL) | | 60 | 60 | 2,789,223 | 2,789,223 |
| A-One Enterprises (Private) Limited (A-One) | | 100 | 100 | 61,395 | 61,395 |
| Thal Boshoku Pakistan (Private) Limited | | 55 | 55 | 104,500 | 104,500 |
| Thal Power (Private) Limited | | 100 | 100 | 100 | 100 |
| Makro-Habib Pakistan Limited (MHPL) | | 100 | 100 | 223,885 | 223,885 |
| Less: Provision for impairment | 10.1 | | | (223,885) | (223,885) |
| | | | | - | - |
| | | | | 2,966,304 | 2,966,304 |
| Associates – at cost | 10.2 | | | | |
| Quoted | | | | | |
| Indus Motor Company Limited | | 6.22 | 6.22 | 48,900 | 48,900 |
| Habib Insurance Company Limited | | 4.63 | 4.63 | 561 | 561 |
| Agriauto Industries Limited | | 7.35 | 7.35 | 9,473 | 9,473 |
| Shabbir Tiles & Ceramics Limited | | 1.30 | 1.30 | 21,314 | 21,314 |
| Un-Quoted | | | | 80,248 | 80,248 |
| METRO Habib Cash & Carry Pakistan (Private) Limited (MHCCP) | 10.3 | - | 25 | - | 284,105 |
| Other investments - Available for sale | | | | | |
| Quoted - At fair value | | | | | |
| Habib Sugar Mills Limited | | | | 69,916 | 69,710 |
| GlaxoSmithKline (Pakistan) Limited | | | | 430 | 451 |
| Dynea Pakistan Limited | | | | 82,156 | 37,173 |
| Allied Bank Limited | | | | 16,295 | 16,357 |
| Habib Bank Limited | | | | 17,526 | 12,865 |
| TPL Properties Limited | 10.4 | | | 12,250 | - |
| | | | | 198,573 | 136,556 |
| Un- Quoted - At cost | | | | | |
| Sindh Engro Coal Mining Company Limited (SECMC) | 10.5 | | | 898,861 | 862,499 |
| TPL Properties Limited | | | | - | 12,500 |
| | | | | 898,861 | 874,999 |
| TOTAL | | | | 4,143,986 | 4,342,212 |

- 10.1** Due to the closure of operation by MHPL, the Company impaired the total cost of investment.
- 10.2** Although the Company has less than 20% equity interest in all of its associates, the management believes that significant influence over these associates exists by virtue of the Company's representation on the Board of Directors of the respective companies.
- 10.3** The Company held a put option with respect to its holding in Metro Habib Cash & Carry Pakistan (Private) Limited (MHCCP) whereby, if MHCCP does not achieve certain specified financial performance targets, the Company may require its parent, Metro Cash & Carry International Holding BV (Metro BV) to acquire the shares of MHCCP at a price to be determined on the basis of a predefined mechanism. The Company exercised the put option on November 15, 2016 at a price of Rs.2,120 million as already notified to the Pakistan Stock Exchange.
- 10.4** During the current year, the shares of TPL Properties Limited were quoted on the Pakistan Stock Exchange Limited.
- 10.5** The Company undertook to invest USD 24.3 million in PKR equivalent and upto the balance sheet date it has invested Rs. 898.861 million acquiring 60,651,899 ordinary shares having face value of Rs. 10 each, at a price of Rs. 14.82 per share. The balance commitment of the investment is USD 15.59 million.

11. LONG-TERM LOANS - considered good

Employees - secured

Interest bearing

Interest free

Current portion

Wholly owned subsidiaries - unsecured

A-One Enterprises (Private) Limited

Thal Power (Private) Limited

- 11.1** The maximum aggregate amount due from employees at the end of any month during the year was Rs. 10.989 million (2016: Rs. 15.010 million).
- 11.2** Represents interest free loan given for purchase of shares of ThalNova Power Thar (Private) Limited (ThalNova). The loan is likely to be converted into Share Capital based on the progress achieved by ThalNova for its underlying project.

12. LONG-TERM DEPOSITS

Security deposits

Utilities

Others

- 12.1** These deposits are interest free.

13. DEFERRED TAX ASSET

Deferred tax asset arising in respect of provisions

Deferred tax liability arising due to accelerated tax depreciation allowance

14. STORES, SPARES AND LOOSE TOOLS

Stores

- In hand

- In transit

Spares

- In hand

- In transit

Loose tools

| | | 2017 | 2016 |
|---------------------------|--|-----------------------------|------------------|
| | | ----- (Rupees in '000) ---- | |
| 15. STOCK-IN-TRADE | | | |
| Raw material | 15.1 | 1,868,669 | 1,629,607 |
| - In hand | | 384,306 | 458,302 |
| - In transit | | 2,252,975 | 2,087,909 |
| Work-in-process | | 156,863 | 213,115 |
| Finished goods | 15.2 | 504,142 | 463,305 |
| | | <u>2,913,980</u> | <u>2,764,329</u> |
| 15.1 | Raw materials amounting to Rs. 7.582 million (2016: Rs. 9.635 million) are held with the sub-contractors. | | |
| 15.2 | Includes items amounting to Rs. 690.797 million (2016: Rs. 504.582 million) carried at net realisable value. [Cost Rs. 734.922 million (2016: Rs. 554.813 million)]. | | |

| | Note | 2017 | 2016 |
|---|--|-----------------------------|------------------|
| | | ----- (Rupees in '000) ---- | |
| 16. TRADE DEBTS - unsecured | | | |
| Considered good | 16.1 | 1,041,399 | 1,003,946 |
| Considered doubtful | | 13,941 | 81,199 |
| Provision for doubtful debts | 16.2 | (13,941) | (81,199) |
| | | <u>-</u> | <u>-</u> |
| | | <u>1,041,399</u> | <u>1,003,946</u> |
| 16.1 | This includes amount due from following related parties: | | |
| Indus Motor Company Limited | | 249,233 | 323,195 |
| Shabbir Tiles & Ceramics Limited | | 19,067 | 15,445 |
| Auvitronics Limited | | 7 | 24 |
| | | <u>268,307</u> | <u>338,664</u> |
| 16.2 | Reconciliation of provision for doubtful debts: | | |
| Balance at the beginning of the year | | 81,199 | 13,431 |
| (Reversal) for the year / charge for the year | 31 / 34 | (66,207) | 72,131 |
| Bad debts written off during the year | | (1,051) | (4,363) |
| Balance at the end of the year | | <u>13,941</u> | <u>81,199</u> |

| | | 2017 | 2016 |
|---|--|-----------------------------|---------------|
| | | ----- (Rupees in '000) ---- | |
| 17. LOANS AND ADVANCES | | | |
| Loans | | | |
| Considered good - secured | | | |
| Employees - interest free | | 20,000 | 20,000 |
| Current portion of long term loans | 11 | 4,021 | 4,070 |
| | 17.1 | <u>24,021</u> | <u>24,070</u> |
| Considered doubtful - unsecured | | | |
| Makro-Habib Pakistan Limited (MHPL) | | 282,756 | 286,508 |
| Provision for doubtful loan | | (282,756) | (286,508) |
| | | <u>-</u> | <u>-</u> |
| | | <u>24,021</u> | <u>24,070</u> |
| Advances - considered good - unsecured | | | |
| Suppliers | | 38,588 | 15,102 |
| Employees | | 1,302 | 1,479 |
| | 17.2 | <u>39,890</u> | <u>16,581</u> |
| | | <u>63,911</u> | <u>40,651</u> |
| 17.1 | The maximum aggregate amount due from employees at the end of any month during the year was Rs. 24.021 million (2016: Rs. 24.070 million). | | |
| 17.2 | These advances are interest free. | | |

| | Note | 2017 | 2016 |
|--|---|-----------------------------|---------------|
| | | ----- (Rupees in '000) ---- | |
| 18. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | | | |
| Trade deposits | | | |
| Tender / Performance guarantee | | 44,834 | 20,329 |
| Margin against letter of credit | | 285 | 175 |
| Deposit against custom duty | | 7,182 | - |
| Container deposits | 18.1 | <u>12,245</u> | <u>6,180</u> |
| | | <u>64,546</u> | <u>26,684</u> |
| Short-term prepayments | | | |
| Insurance | 18.2 | 5,757 | 4,777 |
| Others | | 8,018 | 5,887 |
| | | <u>13,775</u> | <u>10,664</u> |
| | | <u>78,321</u> | <u>37,348</u> |
| 18.1 | These deposits are interest free. | | |
| 18.2 | This represents prepayments made to Habib Insurance Company Limited, a related party. | | |

| | Note | 2017 | 2016 |
|--|--|-----------------------------|------------------|
| | | ----- (Rupees in '000) ---- | |
| 19. OTHER RECEIVABLES | | | |
| Duty drawback | | 2,140 | 1,101 |
| Custom duty refundable | | - | 759 |
| Dividend receivable | | 73,055 | - |
| Rent | | - | 788 |
| Receivable from A-One under group taxation | 21 | 97 | - |
| Workers' profit participation fund | 19.1 | 382 | - |
| Others | 19.2 | 1,064 | 1,099 |
| | | <u>76,738</u> | <u>3,747</u> |
| 19.1 Workers' profit participation fund (WPPF) | | | |
| (Payable to) / receivable from WPPF at the beginning of the year | | (28) | 7,750 |
| Interest on funds utilised in the Company's business | | (10) | - |
| Allocation for the current year | 33 | <u>(289,618)</u> | <u>(160,028)</u> |
| | | <u>(289,656)</u> | <u>(152,278)</u> |
| Paid during the year | | 290,038 | 152,250 |
| Receivable from / (payable to) WPPF at the end of the year | | <u>382</u> | <u>(28)</u> |
| 19.2 | This includes receivable from the following related parties: | | |
| Pakistan Industrial Aids (Private) Limited | | 192 | 558 |
| Indus Motor Company Limited | | 10 | - |
| Agriautos Industries Limited | | 131 | 131 |
| Noble Computer Services (Private) Limited | | 126 | - |
| Auvitronics Limited | | - | 118 |
| Thal Boshoku Pakistan (Private) Limited | | 283 | 177 |
| | | <u>742</u> | <u>984</u> |

20. SHORT-TERM INVESTMENTS

| | | 2017 ----- (Rupees in '000) ----- | 2016 ----- (Rupees in '000) ----- |
|--|------|--------------------------------------|--------------------------------------|
| Held-to-maturity - at amortised cost | | | |
| Term deposit receipts | 20.1 | 3,471,851 | 2,921,811 |
| Accrued interest | | 21,395 | 11,815 |
| | | 3,493,246 | 2,933,626 |
| Treasury bills | 20.2 | 986,400 | 741,746 |
| Accrued interest | | 7,124 | 2,983 |
| | | 993,524 | 744,729 |
| Designated at fair value through profit and loss account | | | |
| Atlas Money Market Fund | | 52,048 | - |
| UBL Liquidity Plus Fund | | 382,270 | - |
| NAFA Money Market Fund | | 879,272 | - |
| MCB Cash Optimizer Fund | | 20,058 | - |
| HBL (PICIC) Cash Fund | | 762,361 | - |
| ABL Cash Fund | | 105,133 | - |
| Al-Meezan Cash Fund | | 20,030 | - |
| | | 2,221,172 | - |
| | | 6,707,942 | 3,678,355 |
| 20.1 These include deposits amounting to Rs. 1,257,408 million (2016: Rs. 500.961 million) with Habib Metropolitan Bank Limited, a related party and carry interest rate ranging from 3.48% to 6.25% (2016: 6.05% to 6.4%) per annum and having maturity ranging from July 03, 2017 to November 30, 2017. Included in the above investment, Rs. 521.851 million (2016: Rs. 521.811 million) is under lien against a letter of guarantee issued by the banks on behalf of the Company. | | | |
| 20.2 These carry interest at the rate of 5.99% (2016: 5.90% to 6.21%) per annum and having maturity ranging from July 07, 2017 to September 14, 2017. | | | |

21. INCOME TAX - net

| | Note | 2017 ----- (Rupees in '000) ----- | 2016 ----- (Rupees in '000) ----- |
|---|------|--------------------------------------|--------------------------------------|
| Group Tax Relief adjustments | 21.1 | 593,466 | 593,466 |
| Group Taxation adjustments | 21.2 | 10,040 | 278,440 |
| Income tax provision less tax payments – net | 21.3 | (531,237) | (592,690) |
| | | 72,269 | 279,216 |
| 21.1 In terms of the provisions of Section 59B of the Income Tax Ordinance, 2001 (the Ordinance), a subsidiary company may surrender its tax losses in favour of its holding Company for set off against the income of its holding Company subject to certain conditions as prescribed under the Ordinance. Accordingly, the Company adjusted its tax liabilities for the tax years 2008 to 2010 by acquiring the losses of its subsidiary company and consequently an aggregate sum of Rs. 593.466 million equivalent to the tax value of the losses acquired has been paid to the subsidiary company. The original assessments of the Company for the tax years 2008 to 2010 were amended under Section 122(5A) of the Ordinance by the tax authorities by disallowing Group Relief claimed by the Company under Section 59B of the Ordinance aggregating to Rs. 593.466 million. The Company preferred appeals against the said amended assessments before the Commissioner Inland Revenue (Appeals) who vide his orders dated 10th June 2011 and 11th July 2011 has held that the Company is entitled to Group Relief under Section 59B of the Ordinance. However, the tax department filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the Commissioner Inland Revenue (Appeal) (CIR) Order. The ATIR has passed an order in favour of the Company for the above tax years; the Tax department filed reference application / appeal against the order of ATIR before the High Court of Sindh and with the Chairman ATIR which are under the process of hearings. | | | |
| 21.2 In terms of the provision of Section 59AA of the Income Tax Ordinance, 2001 (the Ordinance), the Company, MHPL and A-One have irrevocably opted to be taxed as one fiscal unit with effect from tax year 2017. Accordingly, the tax loss of MHPL for the tax year 2017 has been adjusted against the taxable income of the Company which resulted in a reduction of tax liability of Rs. 17.763 million (2016: Rs. 278.440 million) for the current year. Moreover, the tax charge transferred by A-One to the Company amounted to Rs. 7.723 million (2016: Nil). | | | |
| 21.3 Includes adjustment of tax challans acquired from MHPL and A-One amounting to Rs. 0.492 million (2016: Rs. 38.052 million) and Rs. 7.626 million (2016: Nil) respectively. | | | |

22. CASH AND BANK BALANCES

| | Note | 2017 ----- (Rupees in '000) ----- | 2016 ----- (Rupees in '000) ----- |
|---|------|--------------------------------------|--------------------------------------|
| In hand | | 2,399 | 5,290 |
| With banks in: | | | |
| Current accounts | 22.1 | 109,296 | 49,236 |
| Deposit accounts | 22.2 | 410,589 | 347,633 |
| | | 519,885 | 396,869 |
| | | 522,284 | 402,159 |
| 22.1 These include accounts maintained with Habib Metropolitan Bank Limited, a related party amounting to Rs. 46.778 million (2016: Rs. 34.748 million). | | | |
| 22.2 These include accounts maintained with Habib Metropolitan Bank Limited, a related party amounting to Rs. 349.620 million (2016: Rs.347.633 million) and carry markup ranging from 4.25% to 4.75% (2016: 4.75% to 5.5%) per annum. | | | |

23. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| | 2017 | 2016 | 2017 ----- (Rupees in '000) ----- | 2016 ----- (Rupees in '000) ----- |
|---|------------|--|--------------------------------------|--------------------------------------|
| Number of ordinary shares of Rs. 5/-each | | | | |
| 5,149,850 | 5,149,850 | Fully paid in cash | 25,750 | 25,750 |
| 64,640,390 | 64,640,390 | Issued as fully paid bonus shares | 323,202 | 323,202 |
| 11,239,669 | 11,239,669 | Shares issued under the Scheme of Arrangement for Amalgamation | 56,198 | 56,198 |
| 81,029,909 | 81,029,909 | | 405,150 | 405,150 |
| 23.1 As at June 30, 2017: 7,041,589 (2016: 7,334,889) ordinary shares are held by related parties. | | | | |

24. RESERVES

| | 2017 ----- (Rupees in '000) ----- | 2016 ----- (Rupees in '000) ----- |
|--|--------------------------------------|--------------------------------------|
| Capital reserves | | |
| Reserve on merger of former Pakistan Jute and Synthetics Limited and former Thal Jute Mills Limited | 13,240 | 13,240 |
| Reserve on merger of former Pakistan Paper Sack Corporation Limited and former Khyber Papers (Private) Limited | 42,464 | 42,464 |
| | 55,704 | 55,704 |
| Revenue reserves | | |
| General reserve | 11,165,499 | 9,796,999 |
| Unappropriated profit | 3,662,802 | 1,875,317 |
| | 14,828,301 | 11,672,316 |
| | 143,925 | 94,408 |
| | 15,027,930 | 11,822,428 |
| Gain on revaluation of available-for-sale investments | | |

25. LONG-TERM DEPOSITS

Represents security deposits from Thal Boshoku Pakistan (Private) Limited, a subsidiary company.

26. TRADE AND OTHER PAYABLES

| | Note | 2017 ----- (Rupees in '000) ----- | 2016 ----- (Rupees in '000) ----- |
|--|------|--------------------------------------|--------------------------------------|
| Creditors | 26.1 | 302,398 | 163,749 |
| Accrued liabilities | 26.2 | 930,535 | 707,373 |
| Custom duty payable | | 67,982 | 54,981 |
| Payable to MHPL against group taxation | 21 | 6,766 | - |
| Unclaimed salaries | | 3,901 | 5,887 |
| Warranty obligations | 26.3 | 320,615 | 249,384 |
| Royalty payable | 26.4 | 150,102 | 101,683 |
| Workers' profit participation fund | 19.1 | - | 28 |
| Workers' welfare fund | | 80,319 | 60,811 |
| Security deposits | | 1,568 | 207 |
| Unclaimed and unpaid dividend | | 72,553 | 64,593 |
| Other liabilities | 26.5 | 46,645 | 24,895 |
| | | 1,983,384 | 1,433,591 |

| | | 2017 | 2016 |
|-------------|---|------------------------------|----------------|
| | | ----- (Rupees in '000) ----- | |
| 26.1 | This includes amounts due to the following related parties: | | |
| | Auvitronics Limited | 4,586 | 10,837 |
| | Pakistan Industrial Aids (Private) Limited | 2,343 | 90 |
| | Habib Insurance Company Limited | 594 | 84 |
| | | <u>7,523</u> | <u>11,011</u> |
| 26.2 | This includes amounts due to the following related party: | | |
| | Habib Insurance Company Limited | <u>914</u> | <u>1,816</u> |
| 26.3 | Warranty obligations | | |
| | Balance at the beginning of the year | 249,384 | 179,853 |
| | Charge for the year | 31 83,235 | 78,495 |
| | Claims paid during the year | (12,004) | (8,964) |
| | Balance at end of the year | <u>320,615</u> | <u>249,384</u> |
| 26.4 | Royalty payable | | |
| | Balance at the beginning of the year | 101,683 | 107,938 |
| | Charge for the year | 30 170,881 | 178,253 |
| | Paid during the year | (122,462) | (184,508) |
| | Balance at the end of the year | <u>150,102</u> | <u>101,683</u> |
| 26.5 | Other liabilities | | |
| | Tax deducted at source | 3,770 | 974 |
| | Employees Old-Age Benefits Institution (EOBI) | 4,342 | 753 |
| | Advances from customers | 22,570 | 8,581 |
| | Payable to retirement benefit fund | 6,188 | 5,087 |
| | Others | 9,775 | 9,500 |
| | | <u>46,645</u> | <u>24,895</u> |
| 27. | SHORT TERM RUNNING FINANCE - secured | | |
| | Related party | 5,473 | - |
| | Others | 3,664 | 22,790 |
| | | <u>9,137</u> | <u>22,790</u> |
| 27.1 | Available limits of the running finance facilities amounts to Rs. 2,698 million (2016: Rs. 2,453 million). The facilities carry mark-up at rates ranging from one month to three months' KIBOR plus spreads of 0.5% to 0.75% (2016: 0.75% to 0.9%) per annum. The facilities are secured by way of joint pari passu charge against hypothecation of the Company's stock-in-trade and trade debts. The facilities have a maturity till October 15, 2018. | | |

28. CONTINGENCIES AND COMMITMENTS

| | | 2017 | 2016 |
|---------------|--|------------------------------|------------------|
| | | ----- (Rupees in '000) ----- | |
| 28.1 | Contingencies | | |
| 28.1.1 | Represents letter of guarantees issued by banks on behalf of the company. These include a Standby Letter of Credit (SBLC) amounting to Rs. 2.083 billion issued by United Bank Limited favoring Habib Bank Limited as Intercreditor Agent and Sindh Engro Coal Mining Company Limited (SECMCL) as Project Company for balance equity participation of the Company. The term of SBLC is 42 months and its amount will reduce as and when the Company injects equity in SECMCL. The SBLC is secured by way of mortgage over the property of the Company. | <u>2,151,283</u> | <u>2,118,040</u> |
| 28.1.2 | Post dated cheques have been issued to Collector of Custom in respect of differential duty between commercial and concessional rate of duty, duty and tax remission on exports and safe transport requirement under various SRO's. | <u>103,974</u> | <u>155,254</u> |
| 28.2 | Commitments | | |
| 28.2.1 | Letters of credit outstanding for raw material and spares | <u>725,450</u> | <u>1,347,522</u> |
| 28.2.2 | Commitments in respect of capital expenditure | <u>66,817</u> | <u>114,614</u> |
| 28.2.3 | Commitments for rentals under Ijarah (lease) agreements | | |
| | Within one year | 10,691 | 5,575 |
| | After one year but not later than five years | 10,733 | 7,179 |
| | | <u>21,424</u> | <u>12,754</u> |

Represent Ijarah (lease) agreement entered into with a Modaraba in respect of vehicles. Total Ijarah payments due under the agreements are Rs. 21.423 million and are payable in monthly installments latest by April 2020. These commitments are secured by on-demand promissory notes of Rs. 32.290 million.

28.2.4 Commitment in respect of investment is disclosed in note 10.4 to these financial statements.

29. REVENUE - net

| | Note | 2017 | 2016 |
|--------------------|------|------------------------------|-------------------|
| | | ----- (Rupees in '000) ----- | |
| Export sales | 29.1 | 261,892 | 526,933 |
| Local sales | 29.2 | <u>19,425,416</u> | <u>17,105,912</u> |
| | | <u>19,687,308</u> | <u>17,632,845</u> |
| Less: Sales tax | | <u>2,564,157</u> | <u>2,372,796</u> |
| Sales discount | | <u>2,463</u> | <u>1,089</u> |
| | | <u>2,566,620</u> | <u>2,373,885</u> |
| Add: Duty drawback | | <u>3,685</u> | <u>7,479</u> |
| | | <u>17,124,373</u> | <u>15,266,439</u> |

29.1 Export sales are stated net of export related freight and other expenses of Rs. 9.170 million (2016: Rs. 19.034 million).

29.2 Local sales are stated net of freight and other expenses of Rs. 73.741 million (2016: Rs. 51.920 million).

30. COST OF SALES

| | Note | 2017 | 2016 |
|---------------------------------|------------------------------|------------------------------|--------------------|
| | | ----- (Rupees in '000) ----- | |
| Raw material consumed | 30.1 | 11,442,949 | 10,429,409 |
| Salaries, wages and benefits | | 1,152,647 | 938,017 |
| Stores and spares consumed | | 147,749 | 131,956 |
| Repairs and maintenance | | 133,958 | 89,750 |
| Power and fuel | | 247,268 | 206,297 |
| Rent, rates and taxes | | 6,761 | 3,272 |
| Vehicle running and maintenance | | 8,954 | 9,334 |
| Insurance | | 8,588 | 8,149 |
| Communication | | 4,811 | 4,529 |
| Travelling and conveyance | | 12,497 | 9,372 |
| Entertainment | | 214 | 200 |
| Printing and stationery | | 5,079 | 4,767 |
| Legal and professional | | 2,756 | 1,121 |
| Computer accessories | | 4,551 | 3,928 |
| Royalty | 26.4 | 170,881 | 178,253 |
| Depreciation / amortization | 7.3 | 110,682 | 101,480 |
| Amortisation | 8.1 | 2,670 | 1,303 |
| Research and development | | 7,207 | 6,197 |
| Ijarah rentals | | 4,892 | 3,240 |
| Others | | <u>2,000</u> | <u>737</u> |
| | | <u>13,477,114</u> | <u>12,131,311</u> |
| Work-in-process | | | |
| Opening | | <u>213,115</u> | <u>192,326</u> |
| Closing | | <u>(156,863)</u> | <u>(213,115)</u> |
| | | <u>56,252</u> | <u>(20,789)</u> |
| Cost of goods manufactured | | <u>13,533,366</u> | <u>12,110,522</u> |
| Finished goods | | | |
| Opening | | <u>463,305</u> | <u>249,876</u> |
| Stock destroyed | | <u>(1,181)</u> | <u>-</u> |
| Closing | | <u>(504,142)</u> | <u>(463,305)</u> |
| | | <u>(42,018)</u> | <u>(213,429)</u> |
| | | <u>13,491,348</u> | <u>11,897,093</u> |
| 30.1 | Raw material consumed | | |
| | Opening stock | 1,629,607 | 1,451,245 |
| | Purchases | 11,682,011 | 10,607,771 |
| | Closing stock | <u>(1,868,669)</u> | <u>(1,629,607)</u> |
| | | <u>11,442,949</u> | <u>10,429,409</u> |

31. DISTRIBUTION COSTS

| | 2017 | 2016 |
|-------------------------------|-----------------------------|---------|
| | ----- (Rupees in '000) ---- | |
| Salaries and benefits | 59,192 | 56,873 |
| Vehicle running expense | 3,050 | 2,641 |
| Utilities | 1,735 | 2,100 |
| Insurance | 1,787 | 2,535 |
| Rent, rates and taxes | 8,339 | 8,877 |
| Communication | 1,895 | 1,640 |
| Advertisement and publicity | 8,872 | 5,471 |
| Travelling and conveyance | 5,698 | 5,539 |
| Entertainment | 227 | 195 |
| Printing and stationery | 318 | 246 |
| Computer accessories | 473 | 379 |
| Research and development | 252 | 263 |
| Depreciation | 7.3 1,360 | 1,297 |
| Amortisation | 8.1 23 | 23 |
| Provision for doubtful debts | 16.2 - | 72,131 |
| Repairs and maintenance | 2,564 | 3,454 |
| Export expenses | 5,233 | 6,189 |
| Provision for warranty claims | 26.3 83,235 | 78,495 |
| Ijarah rentals | 813 | 559 |
| Others | 587 | 384 |
| | 185,653 | 249,291 |

32. ADMINISTRATIVE EXPENSES

| | | |
|-------------------------------------|-------------|---------|
| Salaries and benefits | 390,976 | 332,835 |
| Vehicle running expense | 10,483 | 9,854 |
| Printing and stationery | 4,016 | 3,300 |
| Rent, rates and taxes | 12,732 | 7,807 |
| Utilities | 6,291 | 5,888 |
| Insurance | 719 | 882 |
| Entertainment | 1,518 | 1,954 |
| Subscription | 597 | 669 |
| Communication | 3,439 | 3,050 |
| Advertisement and publicity | 2,447 | 2,435 |
| Repairs and maintenance | 54,162 | 12,104 |
| Travelling and conveyance | 19,503 | 21,684 |
| Legal and professional | 144,231 | 113,779 |
| Computer accessories | 2,952 | 2,100 |
| Auditors' remuneration | 32.1 4,692 | 4,139 |
| Depreciation / amortization | 7.3 11,554 | 10,295 |
| Depreciation on investment property | 9 9 | 3 |
| Amortisation | 8.1 2,423 | 2,190 |
| Ijarah rentals | 4,786 | 1,869 |
| Charity and donations | 32.2 61,141 | 33,521 |
| Directors' fee and meeting expenses | 1,465 | 1,195 |
| Others | 1,707 | 1,220 |
| | 741,843 | 572,773 |
| 32.1 Auditors' remuneration | | |
| Audit fee | 2,169 | 1,759 |
| Half-yearly review | 324 | 292 |
| Taxation services | 1,323 | 1,295 |
| Other certification | 425 | 355 |
| Out of pocket expenses | 451 | 438 |
| | 4,692 | 4,139 |

32.2 Charity and donations

Charity and donations include the following donees in whom directors or their spouses are interested:

| Name of donee | Address of donee | Name of directors/spouse | 2017 | 2016 |
|--------------------------------------|--|---|-----------------------------|--------|
| | | | ----- (Rupees in '000) ---- | |
| Mohamedali Habib Welfare Trust | 2nd Floor, House of Habib, 3-Jinnah Co-operative Housing Society, Block 7/8, Sharae Faisal, Karachi. | Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee | 17,724 | 11,970 |
| Habib Education Trust | 4th floor, United Bank building, I.I. Chundrigar Road, Karachi. | Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee | 8,500 | 3,000 |
| Habib University Foundation | 147, Block 7&8, Banglore Cooperative Housing Society, Tipu Sultan Road, Karachi. | Mr. Rafiq M. Habib - Trustee Mr. Ali S. Habib - Trustee Mr. Mohamedali R. Habib - Trustee | 14,999 | 6,000 |
| Anjuman -e- Behbood-Samat -e- Itefal | ABSA School 26-C National Highway, Korangi Road, Karachi. | Mrs. Rafiq M. Habib - Vice President | 36 | 61 |

33. OTHER CHARGES

| | Note | 2017 | 2016 |
|--|------|-----------------------------|---------|
| | | ----- (Rupees in '000) ---- | |
| Workers' profits participation fund | 19.1 | 289,618 | 160,028 |
| Workers' welfare fund | | 55,752 | 61,485 |
| Provision for impairment on loan to MHPL | | - | 286,508 |
| Provision for impairment on investment in MHPL | | - | 223,885 |
| | | 345,370 | 731,906 |
| | Note | 2017 | 2016 |
| | | ----- (Rupees in '000) ---- | |

34. OTHER INCOME

| | | | |
|--|------|-----------|-----------|
| Income from financial assets | | | |
| Dividend income from: | | | |
| Related parties | | | |
| Indus Motor Company Limited. | | 586,800 | 489,000 |
| Agriauto Industries Limited | | 18,512 | 21,156 |
| Habib Insurance Company Limited | | 10,037 | 10,037 |
| Habib METRO Pakistan (Private) Limited | | 219,636 | 323,473 |
| | | 834,985 | 843,666 |
| Others | | | |
| Dynea Pakiatan Limited | | 2,042 | 2,042 |
| Habib Sugar Mills Limited | | 5,134 | 4,667 |
| Allied Bank Limited | | 1,318 | 1,273 |
| Habib Bank Limited | | 912 | 912 |
| GlaxosmithKline Pakistan Limited | | 10 | 7 |
| | | 9,416 | 8,901 |
| Interest on: | | | |
| Deposit accounts | | 25,987 | 32,250 |
| Term deposit receipts | | 144,571 | 136,884 |
| Musharika certificates | | - | 1,664 |
| Government treasury bills | | 48,525 | 24,231 |
| | | 219,083 | 195,029 |
| Gain on revaluation / redemption of investments at fair value through profit and loss | | 76,922 | 33,259 |
| Reversal of provision for doubtful debts | | 66,207 | - |
| Liabilities no longer payable written back | | 27 | 486 |
| Reversal of provision for impairment of loan - MHPL | | 3,752 | - |
| Exchange gain - net | | 1,051 | 1,941 |
| | | 1,211,443 | 1,083,282 |
| Income from non financial assets | | | |
| Gain on disposal of property, plant and equipment | 7.4 | 2,595 | 8,828 |
| Gain on disposal of investment in associate - MHCCP | 34.1 | 1,835,895 | - |
| Rental income | | 5,276 | 5,712 |
| Service income | 34.2 | 27,742 | 29,604 |
| Scrap sales | | 7,154 | 10,530 |
| Claim from suppliers | | 5,032 | 29,409 |
| Insurance claim | | 210 | 124 |
| | | 1,883,904 | 84,207 |
| | | 3,095,347 | 1,167,489 |

34.1 Represents gain on disposal of investment in MHCCP amounting to Rs.1,835,895 million (2016: Nil) as a consequence of exercising the put option as explained in note 10.3 to these financial statements.

34.2 The Company has entered into a service agreement with Thal Boshoku Pakistan (Private) Limited, a subsidiary company. As per the agreement, the Company will provide service and support for production engineering, plant maintenance and engineering, imports, logistics & material handling, sales administration, HR and general administration and financial corporate legal and tax advisory.

| | 2017 | 2016 |
|--|-----------------------------|-------|
| Note | ----- (Rupees in '000) ---- | |
| 35. FINANCE COSTS | | |
| Mark-up on Short-term running finance: | | |
| - Related party | 47 | 34 |
| - Others | 105 | 81 |
| | 152 | 115 |
| Workers' profit participation fund | 10 | - |
| Bank charges and guarantee commission | 8,349 | 3,705 |
| | 8,511 | 3,820 |

| | 2017 | 2016 |
|---|-----------------------------|-----------|
| | ----- (Rupees in '000) ---- | |
| 36. TAXATION | | |
| Current | 1,415,946 | 998,283 |
| Prior | (46,233) | 15,331 |
| Deferred | 110,998 | (213,387) |
| | 1,480,711 | 800,227 |
| 36.1 Relationship between income tax expense and accounting profit | | |
| Profit before taxation | 5,446,995 | 2,979,045 |
| | | |
| Tax at the rate of 31% (2016: 32%) | 1,688,568 | 953,294 |
| Super tax @ 3% of taxable income | 144,792 | 95,145 |
| | 1,833,360 | 1,048,439 |
| Tax effects of: | | |
| Income taxed at reduced rates | (283,949) | (247,880) |
| Income tax under Final tax regime | (8,660) | (13,730) |
| Tax effect of inadmissible items | (13,807) | (1,933) |
| Prior years | (46,233) | 15,331 |
| | 1,480,711 | 800,227 |

| | | |
|--|-------------------------|-----------|
| 37. BASIC AND DILUTED EARNINGS PER SHARE | | |
| There is no dilutive effect on the basic earnings per share of the Company, which is based on: | | |
| Profit after taxation | 3,966,284 | 2,178,818 |
| | | |
| | Number of shares | |
| | in thousands | |
| Weighted average number of ordinary shares of Rs. 5/- each in issue | 81,030 | 81,030 |
| | ----- (Rupees) ----- | |
| Basic and diluted earnings per share | 48.95 | 26.89 |

| | | 2017 | 2016 |
|---|------|-----------------------------|-------------|
| | Note | ----- (Rupees in '000) ---- | |
| 38. CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 5,446,995 | 2,979,045 |
| Adjustments for non-cash charges and other items: | | | |
| Depreciation and amortisation | | 128,721 | 116,591 |
| Finance costs | | 8,511 | 3,820 |
| Interest income | | (219,083) | (195,029) |
| Liabilities no longer payable written back | | (27) | (486) |
| Gain on revaluation / redemption of investments at fair value through profit and loss | | (76,922) | (33,259) |
| Dividend income | | (844,401) | (852,567) |
| (Reversal) / provision for doubtful debts - net | | (66,207) | 72,131 |
| Provision for retirement benefits | | 2,088 | 2,905 |
| (Reversal) / provision for impairment on loan to MHPL | | (3,752) | 286,508 |
| Provision for impairment on investment in MHPL | | - | 223,885 |
| Gain on disposal of investment in an associate - MHCCP | | (1,835,895) | - |
| Gain on disposal of operating fixed assets | | (2,595) | (8,828) |
| | | (2,909,562) | (384,329) |
| | | 2,537,433 | 2,594,716 |
| (Increase) / decrease in current assets | | | |
| Stores, spares and loose tools | | (18,337) | 1,176 |
| Stock-in-trade | | (149,651) | (469,300) |
| Trade debts | | 28,754 | 42,277 |
| Loans and advances | | (19,508) | (305,277) |
| Trade deposits and short-term prepayments | | (40,973) | 32,662 |
| Sales tax refundable | | (40,887) | (36,126) |
| Other receivables | | 64 | (305,966) |
| | | (240,538) | (1,040,554) |
| Increase in current liabilities | | | |
| Trade and other payables | | 540,759 | 103,257 |
| | | 2,837,654 | 1,657,419 |
| 39. CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 22 | 522,284 | 402,159 |
| Short-term investments | 20 | 4,457,250 | 3,663,557 |
| Short-term running finance | 27 | (9,137) | (22,790) |
| | | 4,970,397 | 4,042,926 |

40. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Company comprise of subsidiaries, associates, and companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the year, other than those which have been disclosed in note 41 and elsewhere in these financial statements, are as follows:

| Relationship | Nature of transactions | 2017 | 2016 |
|------------------------|--------------------------------|-----------------------------|-----------|
| | | ----- (Rupees in '000) ---- | |
| Subsidiaries | Professional Services acquired | 123,924 | 107,843 |
| | Purchase of goods | 3,827 | 26,051 |
| | Supplies purchased | 2,979 | 6,424 |
| | Rent received | 5,276 | 5,190 |
| | Service Fee | 27,742 | 27,090 |
| Associates | Sales of goods | 10,191,738 | 9,081,881 |
| | Insurance premium | 29,797 | 29,382 |
| | Purchase of assets | 2,400 | 5,148 |
| | Supplies purchased | 16,236 | 26,909 |
| | Purchase of goods | 125,646 | 166,060 |
| | Insurance claim received | 2,959 | 228 |
| | Mark-up and bank charges paid | 2,129 | 2,238 |
| | Profit received on deposits | 104,310 | 156,444 |
| | Rent paid | 863 | 800 |
| | Contribution to provident fund | 30,190 | 32,686 |
| Employee benefit plans | | 2,750 | 3,202 |

40.1 There are no transactions with key management personnel other than under the terms of employment as disclosed in note 41 to the financial statements.

40.2 The receivable / payable balances with related parties as at June 30, 2017 are disclosed in the respective notes to the financial statements.

41. REMUNERATION OF EXECUTIVES, DIRECTORS AND CHIEF EXECUTIVE

| | 2017 | | | 2016 | | |
|---|-----------------------------|-----------|------------|-----------------|-----------|------------|
| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| | ----- (Rupees in '000) ---- | | | | | |
| Managerial remuneration | 28,601 | - | 281,651 | 26,091 | - | 218,635 |
| Bonus | 9,031 | - | 44,259 | 8,400 | - | 25,769 |
| Company's contribution to provident fund | 855 | - | 11,555 | 770 | - | 8,965 |
| Company's contribution to retirement benefit fund | - | - | 4,899 | - | - | 4,050 |
| Other perquisites | - | - | 1,502 | - | - | - |
| | 38,487 | - | 343,866 | 35,261 | - | 257,419 |
| Number of persons | 1 | 6 | 102 | 1 | 6 | 80 |

41.1 The chief executive, directors and certain executives of the company are provided with free use of company maintained cars.

41.2 Four non executive directors (2016: Four) have been paid fees of Rs. Rs. 1,175,000 (2016: Rs. 1,175,000) for attending board and other meetings.

42. PLANT CAPACITY AND ACTUAL PRODUCTION

| | 2017 | 2016 |
|-------------------------------|------------|------------|
| Annual Capacity | | |
| Jute (Metric Tons) | 33,800 | 33,800 |
| Auto air conditioners (Units) | 90,000 | 90,000 |
| Paper bags (Nos. 000s) | 140,000 | 140,000 |
| Alternator (Units) | 90,000 | 90,000 |
| Starter (Units) | 90,000 | 90,000 |
| Actual Production | | |
| Jute (Metric Tons) | 22,474 | 15,534 |
| Auto air conditioners (Units) | 77,363 | 82,560 |
| Wire harness (Units) | 131,263 | 128,578 |
| Paper bags (Nos. 000s) | 105,202 | 95,067 |
| Alternator (Units) | 53,669 | 57,529 |
| Starter (Units) | 53,380 | 57,609 |
| | Low demand | Low demand |

Reason for shortfall

42.1 The capacity of wire harness is dependent on product mix.

42.2 The production capacity of Laminate Operations depends on the relative proportion of various types of products.

| | 2017 | 2016 |
|--------------------------------|-----------------------------|---------|
| | Unaudited | Audited |
| | ----- (Rupees in '000) ---- | |
| Size of the fund | 600,599 | 539,343 |
| Percentage of investments made | 99.24% | 98.58% |
| Fair value of investments | 596,006 | 531,688 |
| Cost of investments made | 545,692 | 516,814 |

43. PROVIDENT FUND

43.1 Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

| | 2017 | | 2016 | |
|---|-------------------------|---------------------------------------|-----------------------|---------------------------------------|
| | ----- (Unaudited) ----- | | ----- (Audited) ----- | |
| | Investments (Rs '000) | investment as a % of size of the fund | Investments (Rs '000) | investment as a % of size of the fund |
| Government securities | 128,684 | 21.43% | 131,922 | 24.46% |
| Term finance certificates and Sukuks | 73,737 | 12.28% | 100,511 | 18.64% |
| Term deposit receipts and call deposits | 236,581 | 39.39% | 147,869 | 27.42% |
| Listed securities and mutual fund units | 157,004 | 26.14% | 151,386 | 28.07% |
| | 596,006 | 99.24% | 531,688 | 98.58% |

43.2 Investments out of provident fund have been made in accordance with the provisions of the section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial instruments are subject to credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The Board of Directors oversees policies for managing each of these risks which are summarised below.

44.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk on trade debts, short-term investments and bank balances. The Company seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

Quality of financial assets

The credit quality of financial assets is analyzed as under:

| | 2017 | 2016 |
|---|-----------------------------|-----------|
| | ----- (Rupees in '000) ---- | |
| Trade debts | | |
| The analysis of trade debts is as follows: | | |
| Neither past due nor impaired [includes Rs. 266.183 million (2016: Rs. 328.857 million) receivable from related parties.] | 905,436 | 797,627 |
| Past due but not impaired | | |
| - Less than 90 days [includes Rs. 2.124 million (2016: Rs. 9.807 million) receivable from related parties.] | 100,297 | 175,982 |
| - 91 to 180 days [includes Nil (2016: Nil) receivable from related parties.] | 33,153 | 25,002 |
| - 181 to 360 days [includes Nil (2016: Nil) receivable from related parties.] | 2,513 | 5,335 |
| | 1,041,399 | 1,003,946 |
| Bank balances | | |
| Ratings | | |
| A1+ | 460,472 | 383,379 |
| A-1+ | 59,369 | 13,466 |
| *A1 | 44 | 24 |
| | 519,885 | 396,869 |
| * This includes rating assigned by an international rating agency to foreign banks. | | |

| | | |
|------------------------|-----------|-----------|
| Short term investments | | |
| Ratings | | |
| A1+ | 2,709,026 | 897,775 |
| A-1+ | 1,777,744 | 2,780,580 |
| AM2+ | 52,048 | - |
| AA(f) | 1,269,794 | - |
| AM1 | 879,272 | - |
| AM2++ | 20,058 | - |
| | 6,707,942 | 3,678,355 |

Financial assets other than trade debts, bank balances and short-term investments, are not exposed to any material credit risk.

44.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with the financial instruments. To guard against the risk, the Company has diversified funding sources and the assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

| Year ended June 30, 2017 | | Less | | | |
|--------------------------------------|-----------|---------------|----------------|--------------|-----------|
| | On demand | than 3 months | 3 to 12 months | 1 to 5 years | Total |
| ----- (Rupees in '000) ----- | | | | | |
| Long term deposits | - | - | - | 1,624 | 1,624 |
| Trade and other payables | 1,452,168 | - | - | - | 1,452,168 |
| Short-term running finance - secured | 9,137 | - | - | - | 9,137 |
| Accrued markup | 1 | - | - | - | 1 |
| | 1,461,306 | - | - | 1,624 | 1,462,930 |
| Year ended June 30, 2016 | | Less | | | |
| | On demand | than 3 months | 3 to 12 months | 1 to 5 years | Total |
| ----- (Rupees in '000) ----- | | | | | |
| Long term deposits | - | - | - | 1,624 | 1,624 |
| Trade and other payables | 1,018,218 | - | - | - | 1,018,218 |
| Short-term running finance - secured | 22,790 | - | - | - | 22,790 |
| Accrued markup | 42 | - | - | - | 42 |
| | 1,041,050 | - | - | 1,624 | 1,042,674 |

44.3 Foreign Currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risks is as follows:

| | 2017 | 2016 |
|---|---------|-----------|
| Trade receivables (US Dollars) | 15,458 | 107,959 |
| Trade receivables (AED) | - | 1,568,568 |
| Trade and other payables (US Dollars) | 37,714 | 175,102 |
| Trade and other payables (EUR) | 112,835 | - |
| Trade and other payables (JPY) | 2,855 | 8,002 |
| Trade and other payables (CHF) | 10 | - |
| Total (AED) - receivables | - | 1,568,568 |
| Total (CHF) - payables | 10 | - |
| Total (JPY) - payables | 2,855 | 8,002 |
| Total (EUR) - payables | 112,835 | - |
| Total (US Dollars) - payables | 22,256 | 67,143 |
| The following significant exchange rates have been applied at the balance sheet date: | | |
| US Dollars | 104.85 | 104.70 |
| AED | - | 28.51 |
| EUR | 119.63 | - |
| JPY | 0.94 | 1.02 |
| CHF | 109.41 | 106.85 |

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, AED, EUR, JPY and CHF's exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

| | Change in US dollars, AED, JPY & CHF's rate | Effect on profit or (loss) before tax | Effect on equity |
|------|---|--|---------------------|
| | % | ----- (Rupees in '000) ----- | |
| 2017 | + 10 | (1,584) | (1,154) |
| | - 10 | 1,584 | 1,154 |
| 2016 | + 10 | 3,768 | 2,756 |
| | - 10 | (3,768) | (2,756) |

44.4 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term borrowings and cash in deposit account. The interest rates on these financial instruments are disclosed in the respective notes to the financial statements.

Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

| | Increase / decrease in basis points | Effect on profit before tax |
|-------|---|-----------------------------------|
| 2017 | | |
| KIBOR | + 100 | 4,015 |
| KIBOR | - 100 | (4,015) |
| 2016 | | |
| KIBOR | + 100 | 3,248 |
| KIBOR | - 100 | (3,248) |

44.5 Equity price risks

Equity price risk is the risk that the fair value of future cashflows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's quoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Company's Board of Directors on a regular basis. The Board of Directors review and approve all equity investment decisions.

45. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing its operations through equity and working capital.

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment in subsidiary companies and associates are carried at cost. The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from their book value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|--------------------------------|---------|---------|-----------|
| 2017 | ----- (Rupees in '000) ----- | | | |
| Assets | | | | |
| - Available for sale investments | 198,573 | - | - | 198,573 |
| - Short-term investments | 2,221,172 | - | - | 2,221,172 |

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|--------------------------------|---------|---------|---------|
| 2016 | ----- (Rupees in '000) ----- | | | |
| Assets | | | | |
| - Available for sale investments | 136,556 | - | - | 136,556 |
| - Short-term investments | - | - | - | - |

There were no transfers amongst levels during the year.

47. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on August 29, 2017 has approved the following:

- (i) transfer of Rs. 2,366 million from unappropriated profit to general reserve; and
- (ii) payment of cash dividend of Rs. 16/- per share for the year ended June 30, 2017 for approval of the members at the Annual General Meeting to be held on October 09, 2017.

48. GENERAL

48.1 The number of employees as at June 30, 2017 was 4,134 (2016: 3,368) and average number of employees during the year was 3,898 (2016: 3,702).

48.2 Corresponding figures have been re-arranged and reclassified, wherever necessary. However, there were no significant reclassifications to report.

48.3 Figures have been rounded off to the nearest thousands.

49. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 29, 2017 by the Board of Directors of the Company.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER